

# Q2 2016 London road show

President and CEO Mika Vehviläinen

6-7 September 2016

# Cargotec in brief



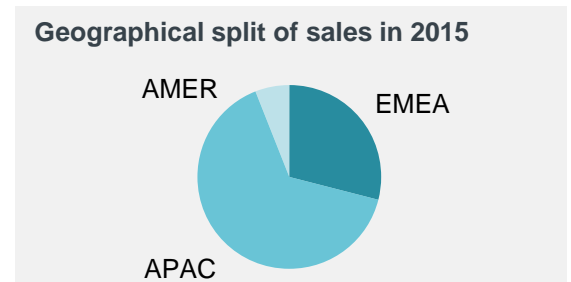
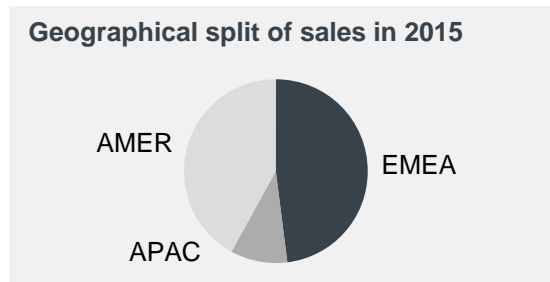
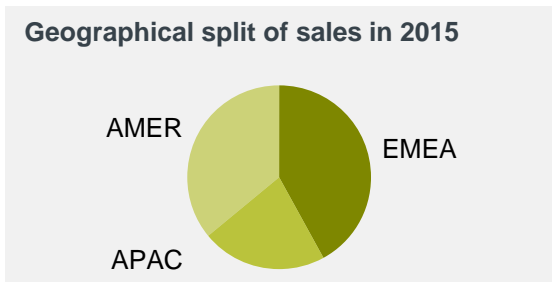
# Today's leader in cargo handling equipment

**Cargotec Group**  
 Sales: **EUR 3,729 million**  
 EBIT: **6.2%**  
 Services: **24%**

**Kalmar**  
 45% of sales  
 EBIT: **7.8%**  
 Services: **26%**

**Hiab**  
 25% of sales  
 EBIT: **10.8%**  
 Services: **23%**

**MacGregor**  
 30% of sales  
 EBIT: **2.6%**  
 Services: **20%**



Figures: 2015  
 EBIT % excluding restructuring costs

# Key competitors

## Kalmar



**KONECRANES**  
Lifting Businesses™



**LIEBHERR**



## Hiab



## MacGregor



Rolls-Royce



**LIEBHERR**

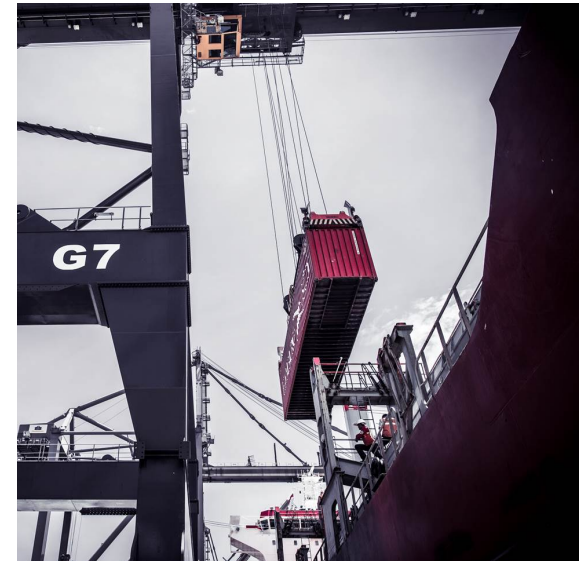
# From turnaround to leader in intelligent cargo handling with sector leading profitability

Turnaround is delivering results in Hiab and Kalmar; MacGregor has improvement plan in place

Transformation has started from equipment business to world class services offering and leadership in intelligent cargo handling

Investing to ensure a leading position

Shaping the portfolio to increase shareholder value



→ 10%

operating profit margin (EBIT) in each business area over the cycle

# Investing in our transformation to be the leader in intelligent cargo handling

**2013**

## **PRODUCT LEADERSHIP**

**Good equipment company**

Product R&D drives offering development

**2018**

## **SERVICES LEADERSHIP**

**World-class service offering**

Connected equipment and data analytics building value on data

Significant software business



**2020**

## **LEADER IN INTELLIGENT CARGO HANDLING**

**40% of the sales from services and software**

More efficient and optimised cargo handling solutions





# Must-win battles to support transformation



Build world-class services offering



Lead digitalisation



Build world-class leadership



# Committed to improve shareholder return

Business  
area  
targets

Operating profit margin (EBIT)  
in each business area over the cycle

**10%**

Growth  
Faster than  
market growth



Group  
targets

Gearing

**<50%**


Return on capital  
employed over the  
cycle (ROCE pre-tax)

**15%**

Dividend

**30-50%**

of earnings  
per share



# Well positioned to become the leader in intelligent cargo handling

Execution capabilities in place and  
profitability improving

Building on tremendous strengths

Transforming from equipment company  
to a company that will shape the cargo  
handling industry

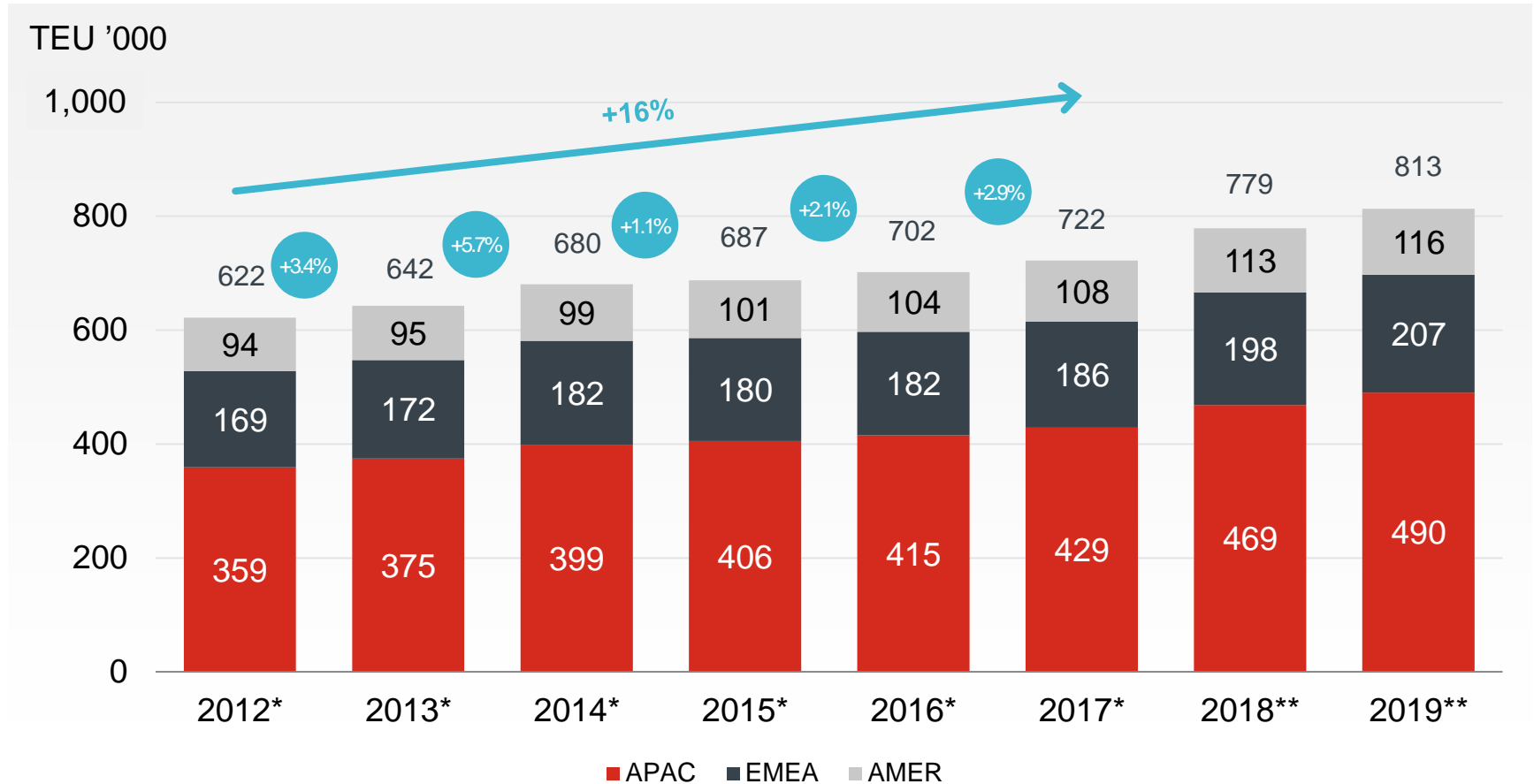
Investing to ensure a leading position

Shaping our portfolio to drive growth and  
shareholder value

**Kalmar**



# Container throughput forecasted to grow year on year



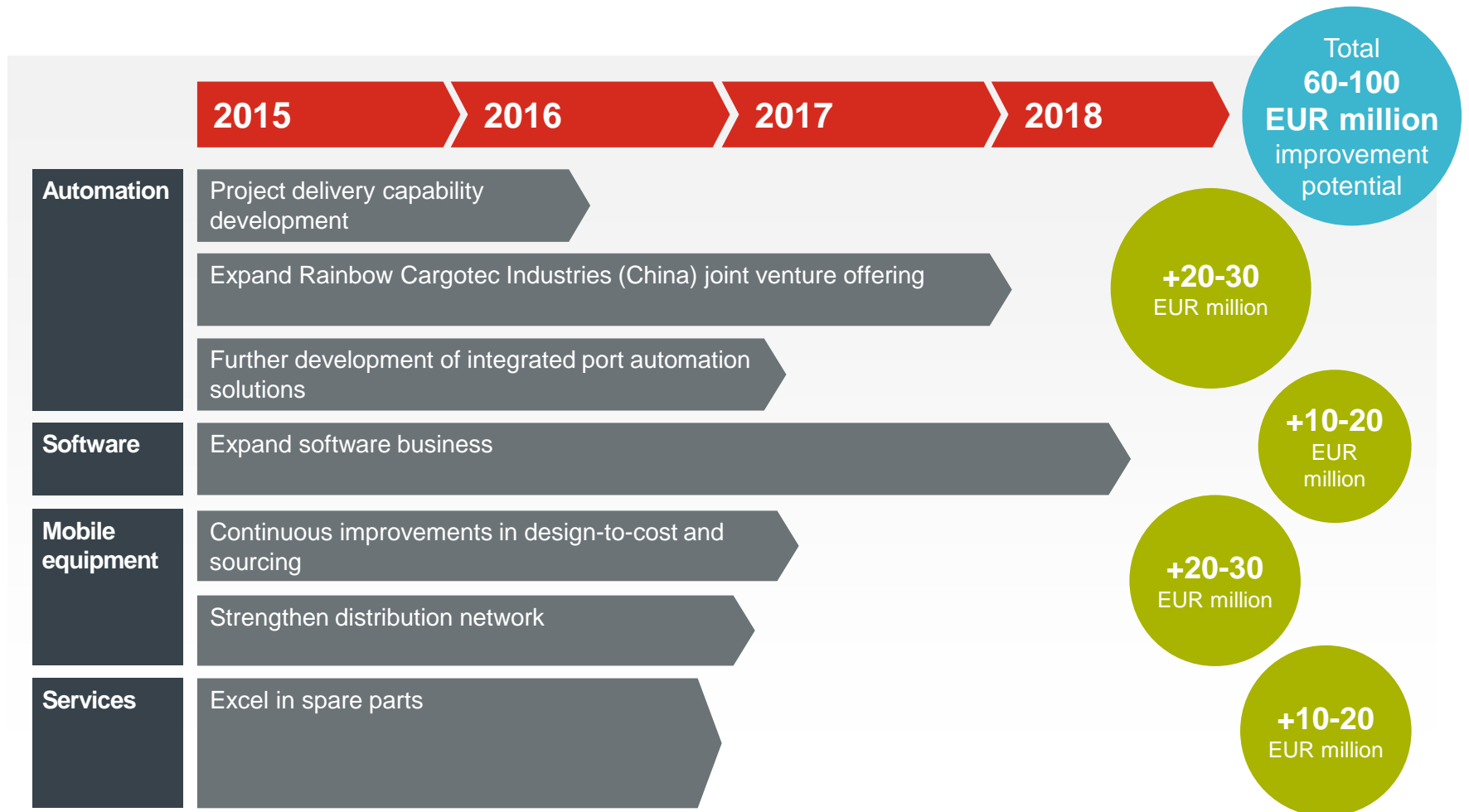
Source: Drewry: Global Container Terminal Operators Annual Report 2015\*\* & Container forecaster Q1 2016\*

# Kalmar has strong position in attractive segments

Over 80% of Kalmar business is in ports and terminals

	Market position	Trend	Market size
 Automation & Projects	#1-2	→	EUR 7.5 billion
 Mobile equipment	#1	→	
 Bromma	#1	↗	
 Navis	#1	↗	
 Services	#1	↗	EUR 7.6 billion

# Kalmar's profit improvement potential 2016-2018





# Kalmar's focus on profitable growth

Solid foundation for further improvement

Win in automation

Grow in software

Sustain global leadership in mobile equipment

Digital services and spare parts excellence



→ **10%**

operating profit margin  
(EBIT) over the cycle



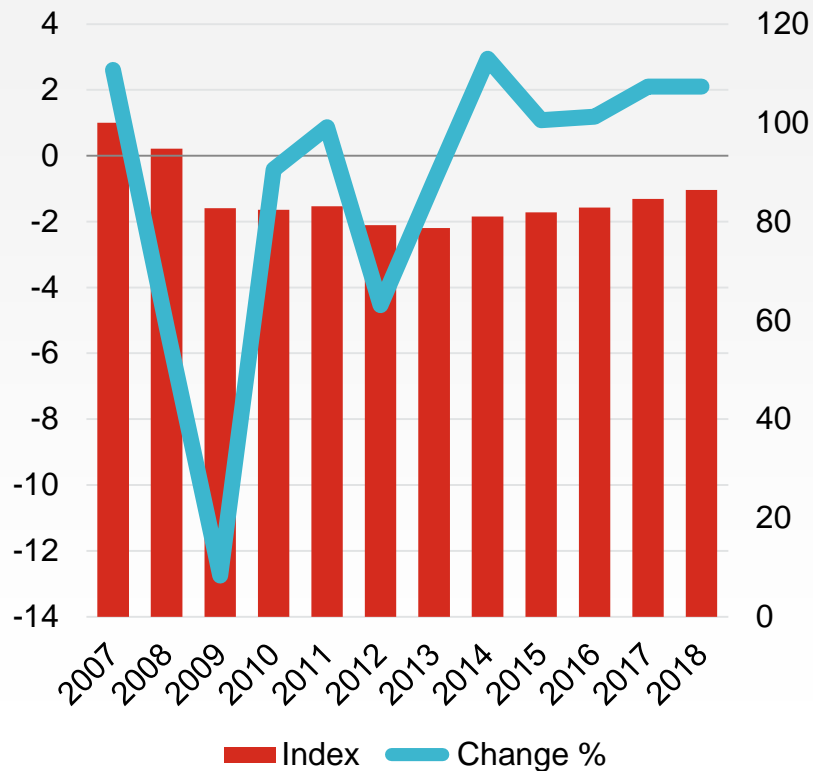
Hiab



# Construction output driving growth opportunity

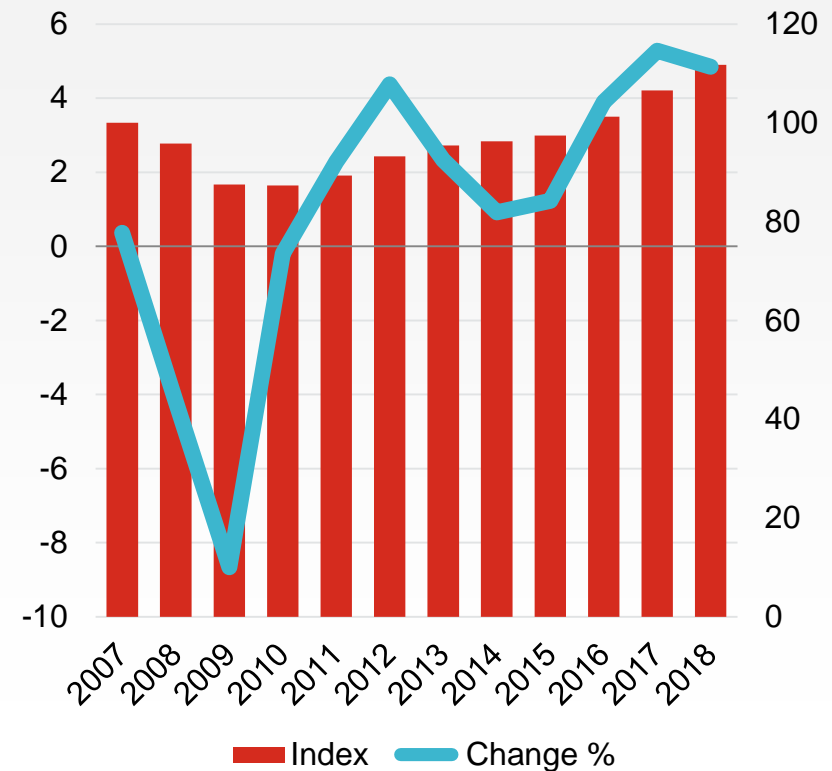
## EMEA construction output

y/y change (%)






## AMER construction output

y/y change (%)



Source: Oxford Economics: Industry output forecast 4/2016

# Hiab has strong positions in attractive markets

	Market size (€B)	Growth	Hiab position & trend
 Loader cranes	1.3	GDP →	#2 →
 Tail lifts	0.5	GDP+ ↗	#1 ↗
 Demountables	0.4	GDP →	#1 →
 Truck-mounted forklifts	0.2	GDP+ ↗	#1 ↗
 Forestry cranes	0.2	GDP →	#2 →

# Hiab's key growth drivers are:



## Cranes

Gain market share in **big loader cranes** and crane **core markets**



## Tail lifts

Enter fast growing **emerging markets** and standardise and globalise **business model**



## Truck-mounted forklifts

Accelerate **penetration** in North America and Europe



## Services

Increase **spare parts capture rates** driven by connectivity and e-commerce

# Hiab's investments for profitable growth

E2E value chain – optimise our distribution network and supply chain

Product innovation – strengthening our market positions

Digitalisation – all new products connected by 2018

Services – further expand our offering



→ **10%**

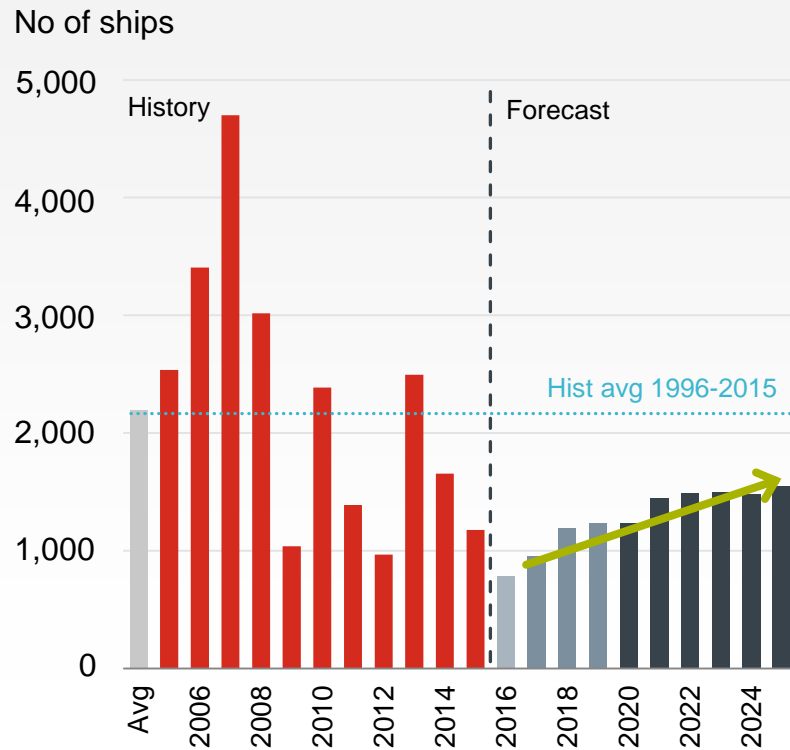
operating profit margin  
(EBIT) over the cycle

# MacGregor

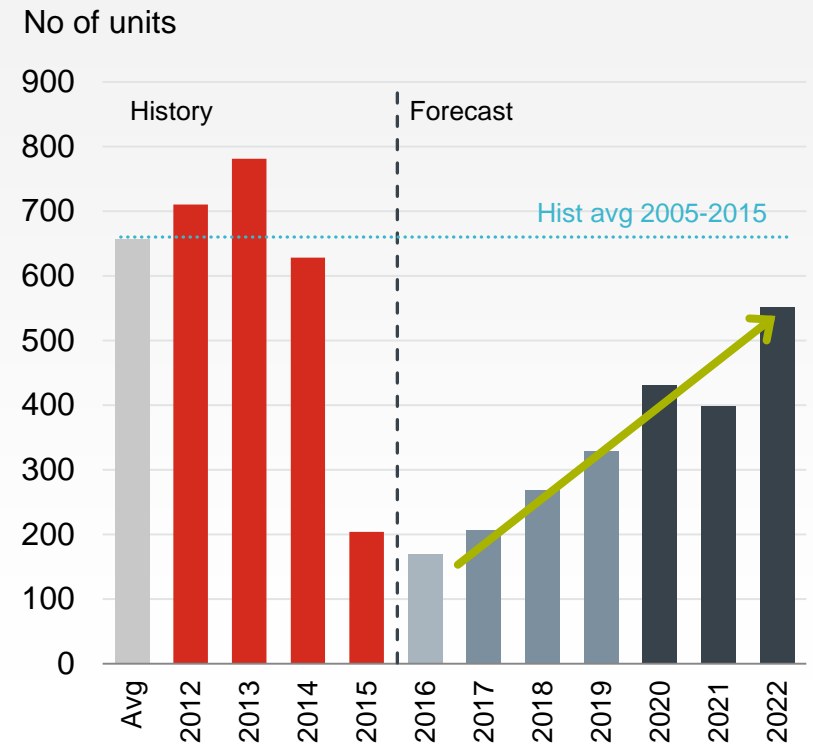


# Merchant shipping and offshore markets currently challenging

Long-term contracting 2005–2025  
Merchant ships > 2,000 gt











Long-term contracting 2012–2022  
Mobile offshore units



Sources: UNCTAD, Clarkson Research, March 2016



# MacGregor has strong positions in both the marine and offshore market

<b>Marine</b>	<b>#1</b> 	<b>#1-2</b> 	<b>#1</b> 	<b>#1</b> 
	Container lashing	Hatch covers	Cranes and selfunloaders	RoRo
<b>Offshore</b>	<b>#1</b> 	<b>#2</b> 	<b>#1</b> 	<b>#1</b> 
	Offshore advanced load handling	Offshore winches	Mooring systems	Loading and offloading systems

RoRo=roll-on/roll-off

# Cost reduction and cost control measures set in place in MacGregor in 2015

Reduction of over 300 employees

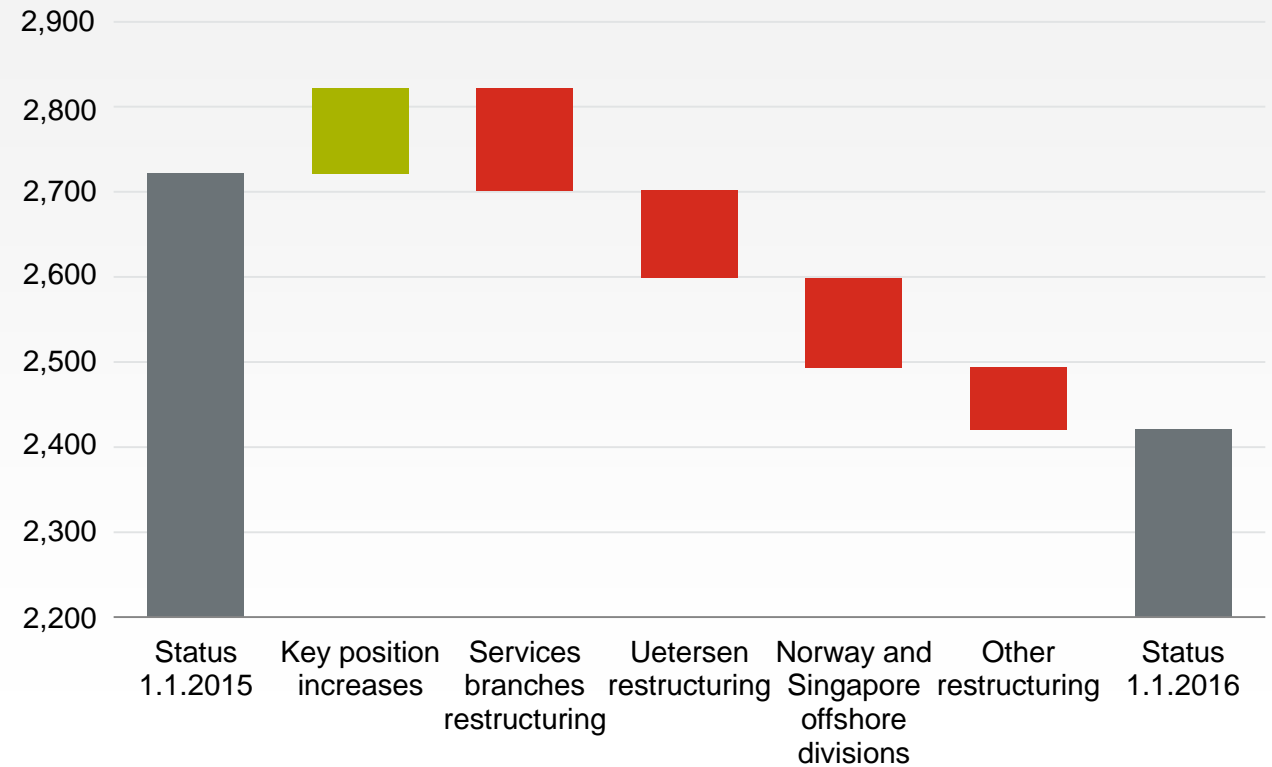
Organisational development

Targeted annual savings of EUR 27 million

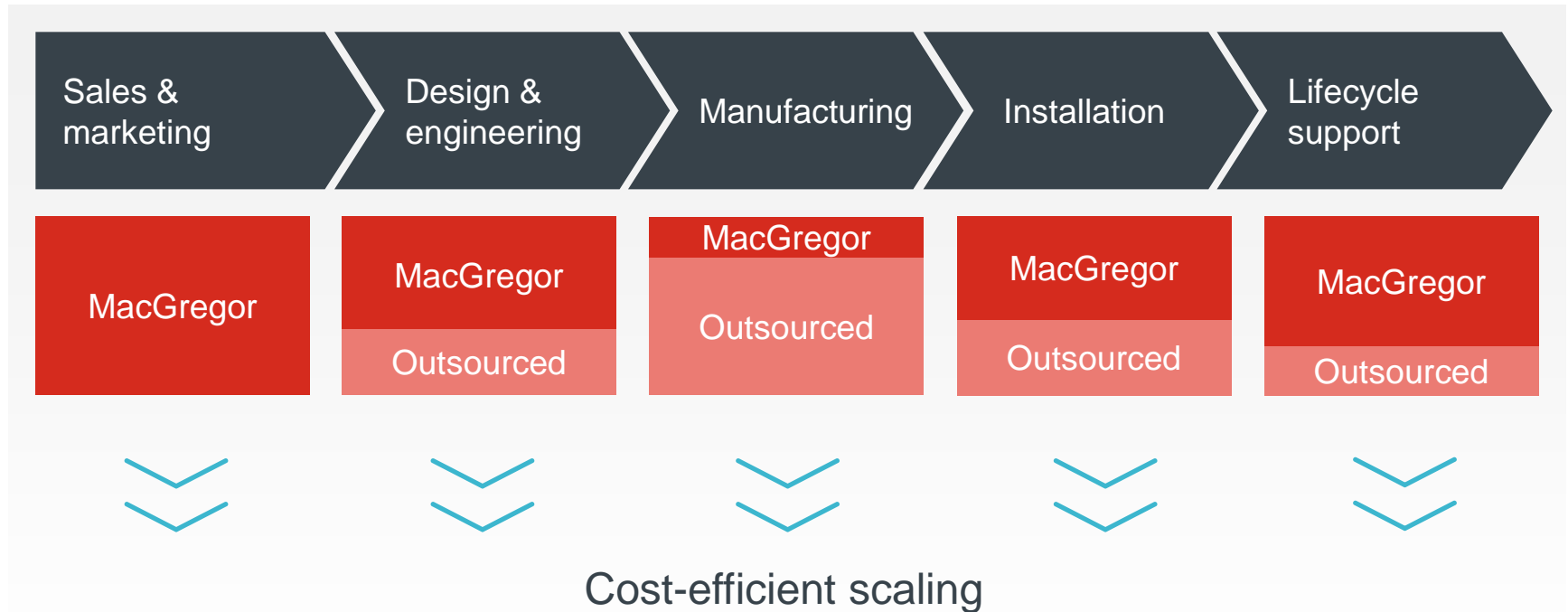
**Measures taken in 2015 will have a full impact in 2016**

Headcount reduced by 11%

Internal headcount



# MacGregor's asset-light business model gives flexibility



**85%** of manufacturing outsourced

**30%** of design and engineering capacity outsourced

# MacGregor is improving profitability

Improving profitability by cost reductions, product and project cost improvements, services development

- Cost reduction measures started in 2015 will result in targeted EUR 27 million annual savings
- Targeted savings of EUR 10 million from design-to-cost will materialise in 2016
- Share of services will exceed 25% of sales in 2016
- Asset-light model with 85% of manufacturing outsourced allows for cost-efficient scaling

80% of orders for 2016 in backlog by the end of the year



→ 10%

operating profit margin  
(EBIT) over the cycle



# January–June financials



# Second quarter highlights

- Profitability improved in Kalmar and Hiab, market situation in MacGregor still challenging
- Order book EUR 2,033 (31 Dec 2015: 2,064) million, orders received at EUR 825 (887) million
- Sales declined 4% y-o-y to EUR 898 (936) million
- Operating profit excluding restructuring costs was EUR 64.8 (58.0) million or 7.2 (6.2) percent of sales
- Earnings per share up by 47%
- Cash flow from operations at EUR 55.8 (101.3) million, gearing was 45.5%
- Service orders increased 12% y-o-y

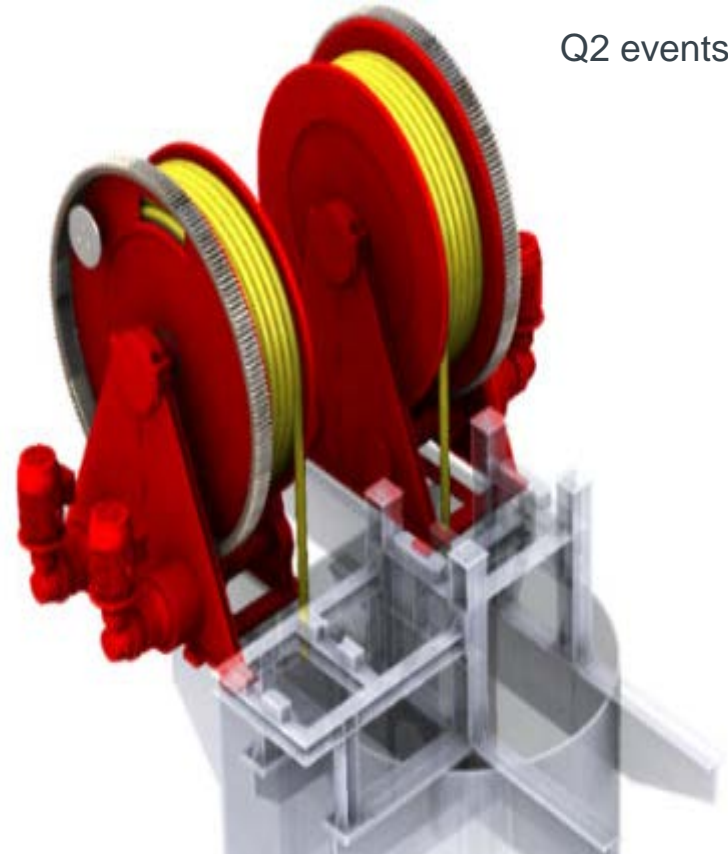
Q2 events



# Market environment in January-June

- Despite the slower container throughput growth, the market for container handling equipment and for port automation solutions was active.
- Strong construction activity continued in the US, supporting demand for load handling equipment. In Europe, activity levels still varied between countries. Demand for services was healthy.
- Market for marine cargo handling equipment remained weak. Demand for marine cargo handling equipment for RoRo and special vessels was healthy. Demand for offshore load handling solutions was low. Demand for services was satisfactory.

Q2 events



MacGregor supplies highly-specialised winches for a pilot project to generate electricity from waves.



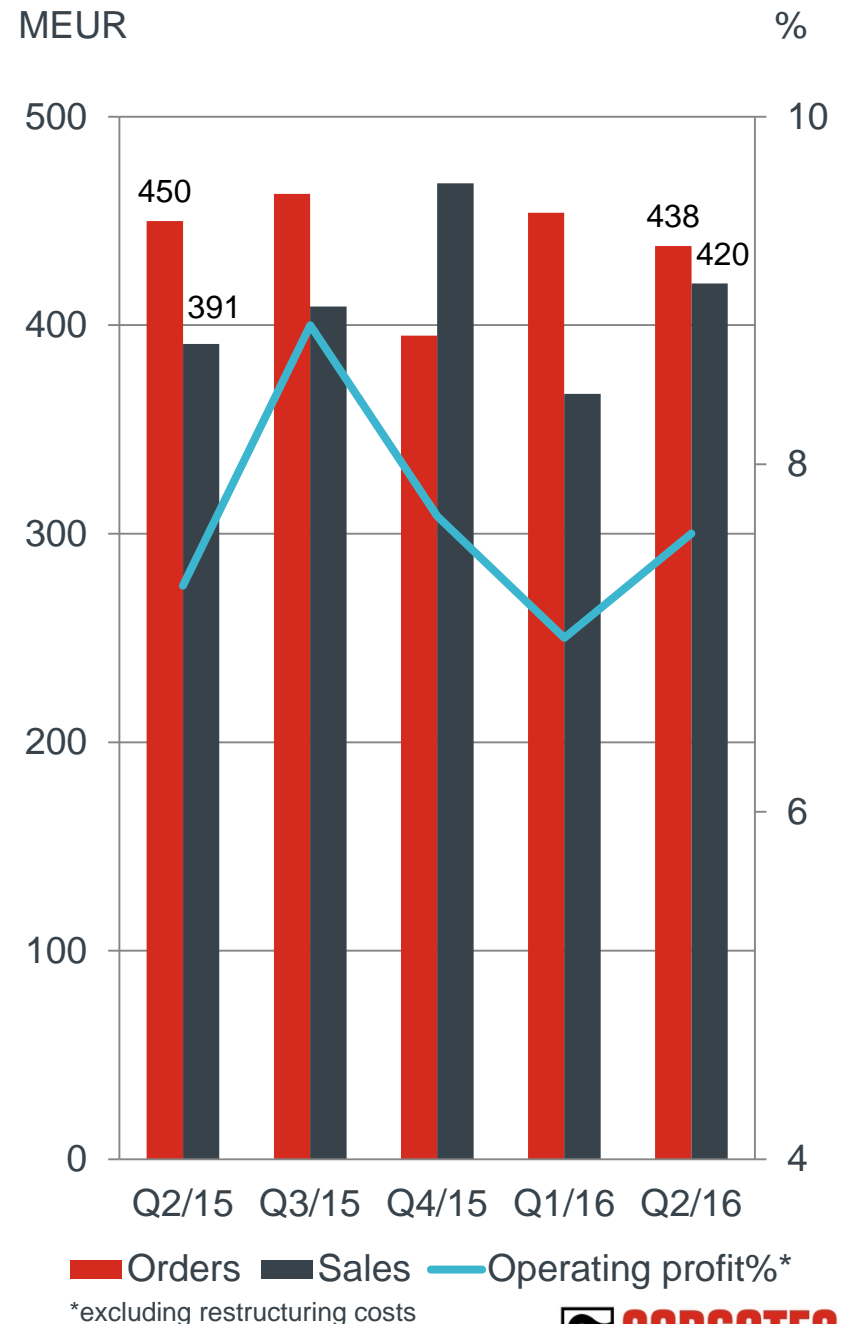
# January–June key figures

	4-6/16	4-6/15	Change	1-6/16	1-6/15	Change	2015
Orders received, MEUR	825	887	-7%	1,728	1,826	-5%	3,557
Order book, MEUR	2,033	2,342	-13%	2,033	2,342	-13%	2,064
Sales, MEUR	898	936	-4%	1,727	1,825	-5%	3,729
Operating profit, MEUR*	64.8	58.0	12%	123.3	110.3	12%	230.7
Operating profit margin, %*	7.2	6.2		7.1	6.0		6.2
Cash flow from operations, MEUR	55.8	101.3		146.6	152.8		314.6
Interest-bearing net debt, MEUR	619	735		619	735		622
Earnings per share, EUR	0.63	0.43		1.23	0.99		2.21

\*excluding restructuring costs

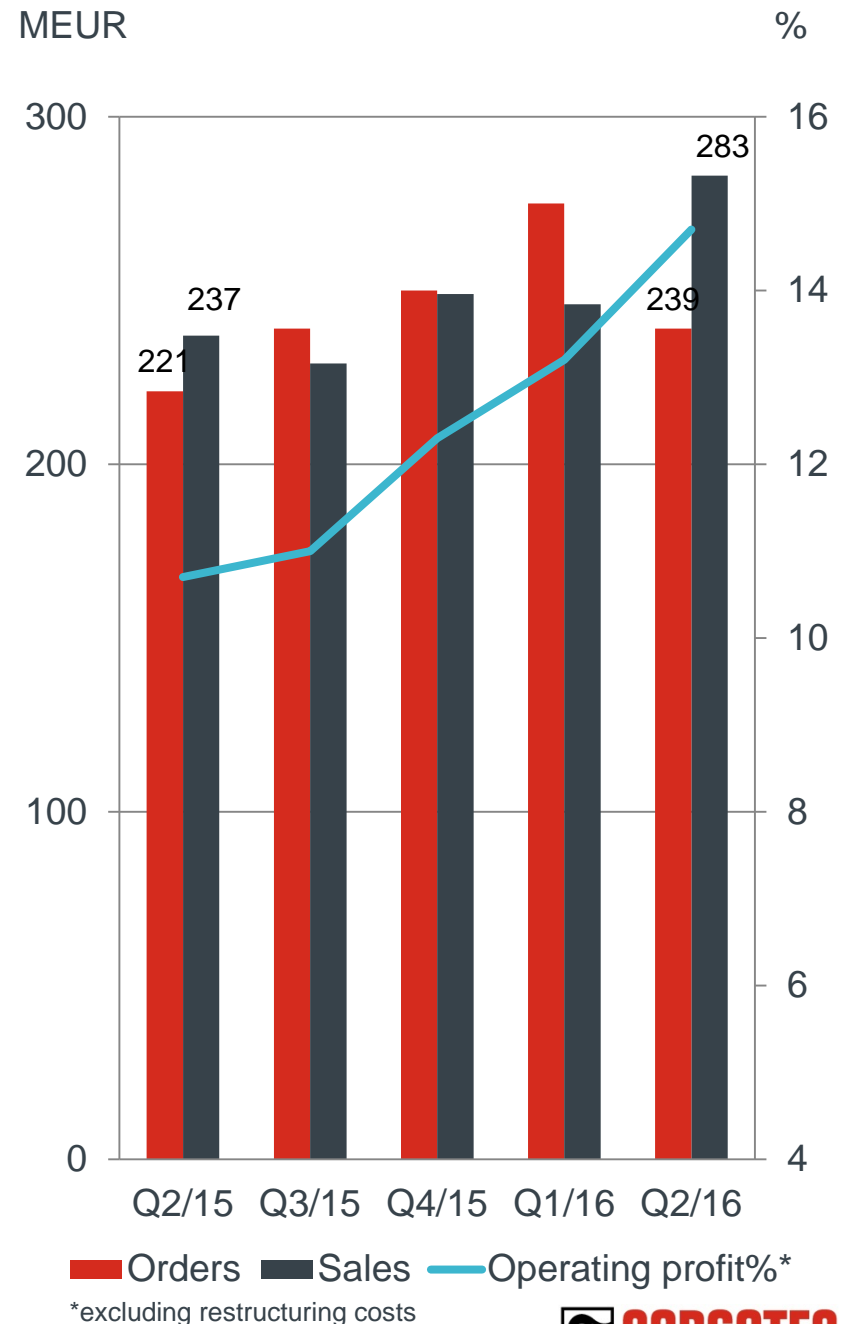
# Kalmar Q2 – improved profitability

- Order intake decreased slightly from the comparison period and was EUR 438 (450) million
- Order book strengthened 15% from 2015 year-end level
- Sales grew 7% y-o-y to EUR 420 (391) million
- Profitability excluding restructuring costs was 7.6% (7.3%)
- Profitability improvement measures and new products have had a positive effect on result; however, increased investments in research and product development lessen the effect.



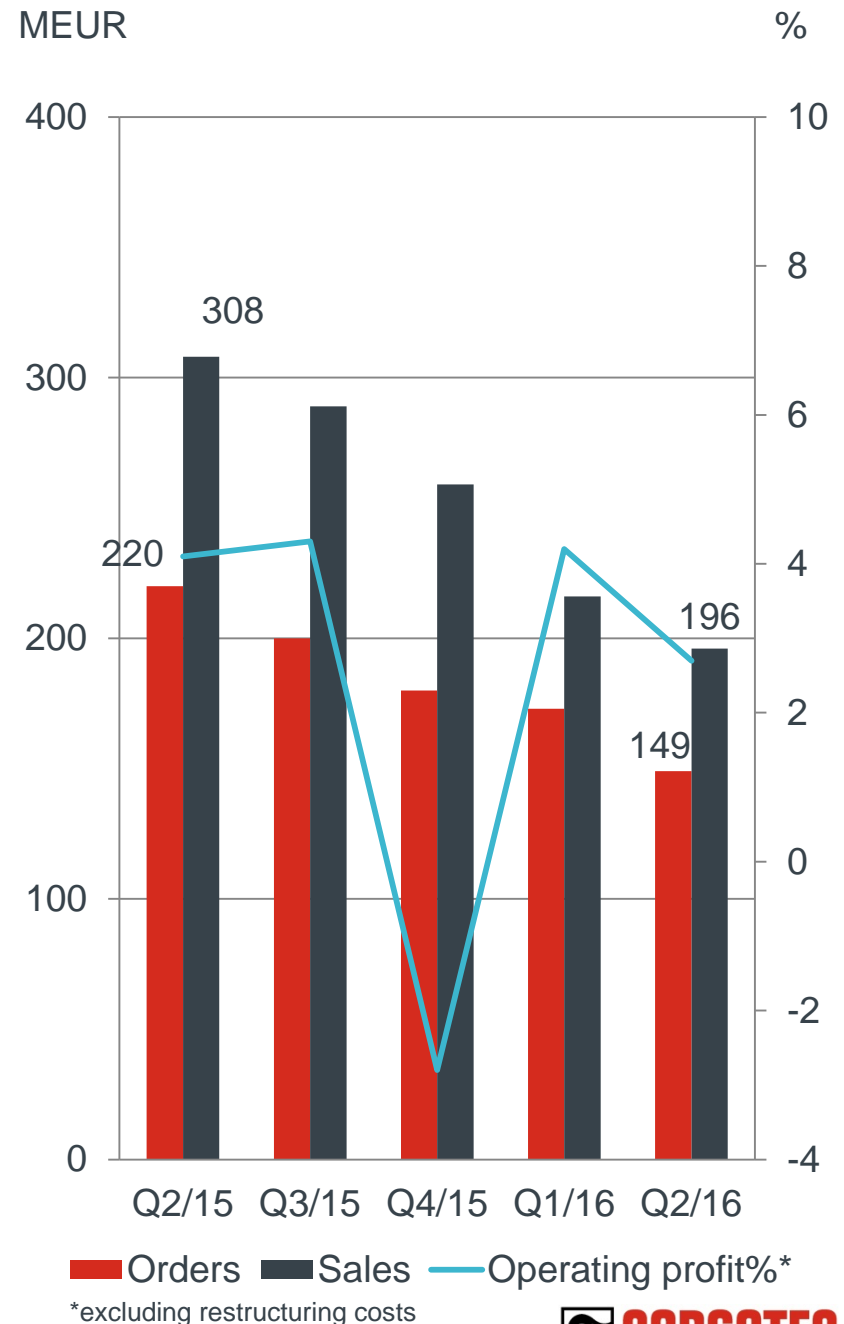
# Hiab Q2 – strong profitability

- Order intake strengthened by 8% and was EUR 239 (221) million
- Order book decreased 7% from 2015 year-end to EUR 283 million
- Sales grew 19% y-o-y to EUR 283 (237) million
- Profitability excluding restructuring costs was 14.7% (10.7%)
- Volume growth, improvements in delivery capability, profitability improvement measures and investments in more competitive products contributed to profitability improvement



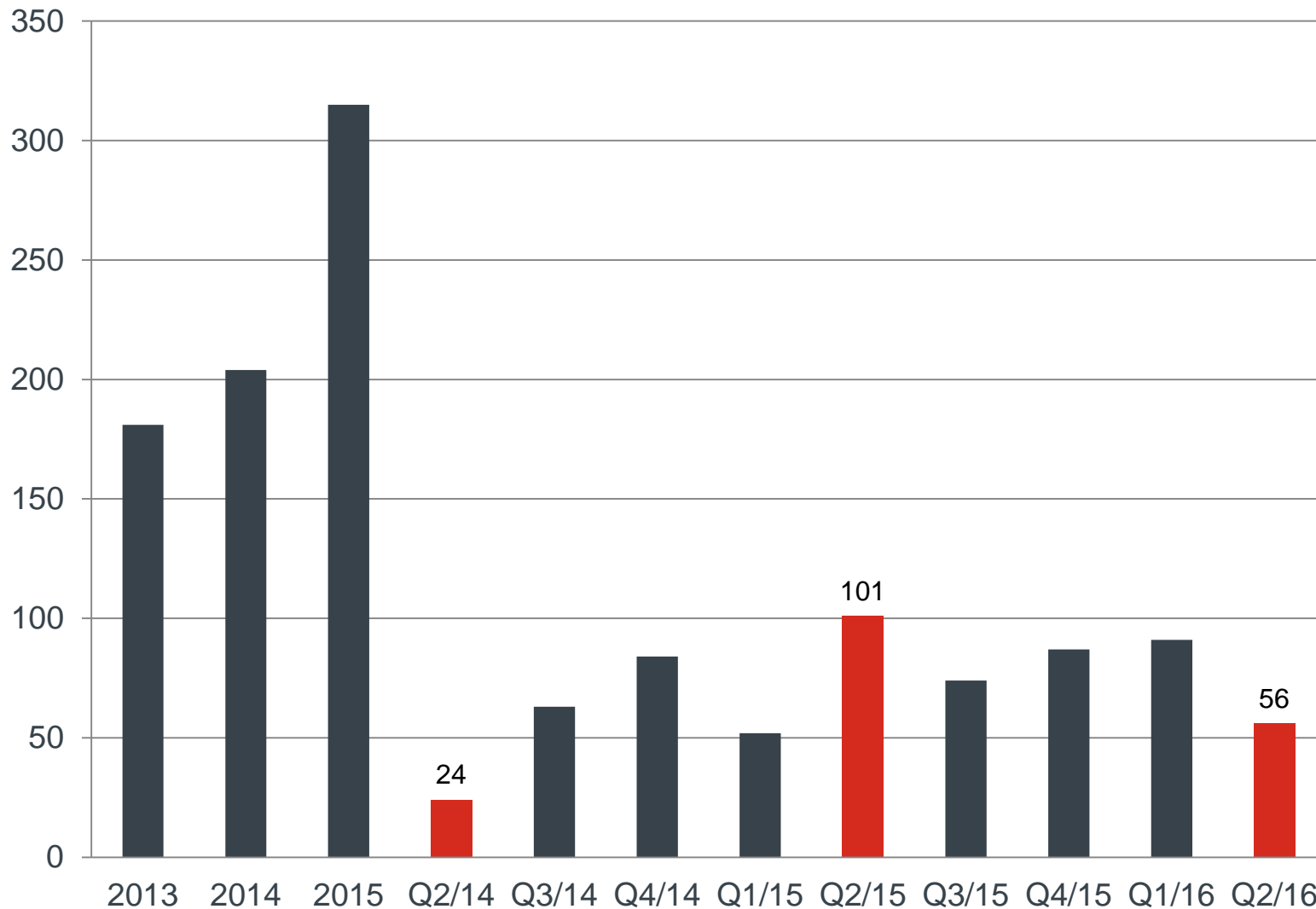
# MacGregor Q2 – challenging market situation continued

- Order intake declined 32% and was EUR 149 (220) million
- Order book decreased 16% from 2015 year-end to EUR 745 million
- Sales declined 37% y-o-y to EUR 196 (308) million
- Profitability excluding restructuring costs was 2.7% (4.1%)
- New measures to lower the cost level have already been started



# Cash flow from operations healthy

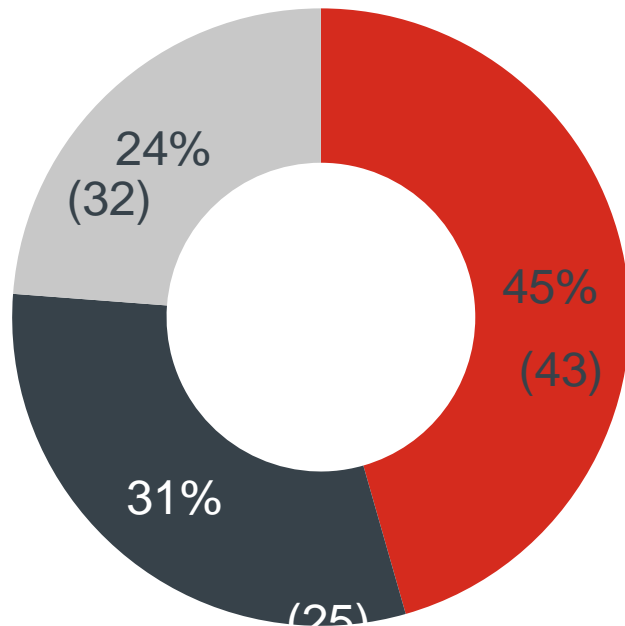
MEUR



# Hiab's share increasing in sales mix

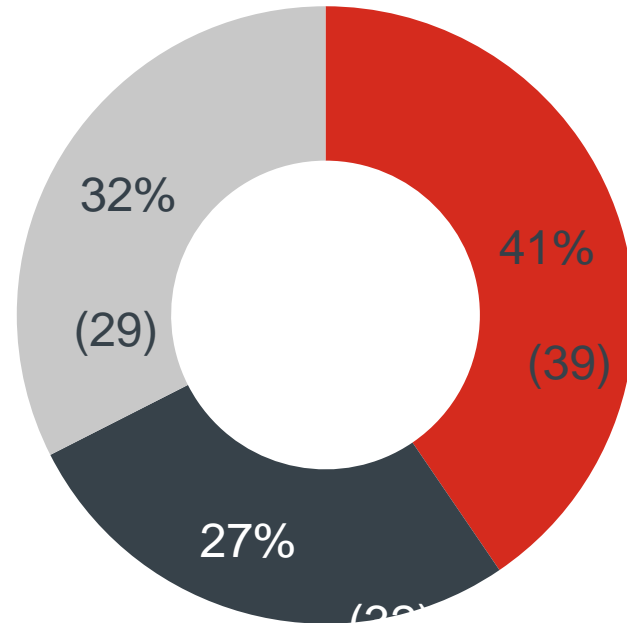
Sales by reporting segment 1-6/2016, %

Equipment 75 (80)%  
Services 25 (20)%



Sales by geographical segment 1-6/2016, %

Equipment 73 (73)%  
Services 27 (27)%



Equipment 78 (76)%  
Services 22 (24)%

■ Kalmar ■ Hiab ■ MacGregor

September 2016

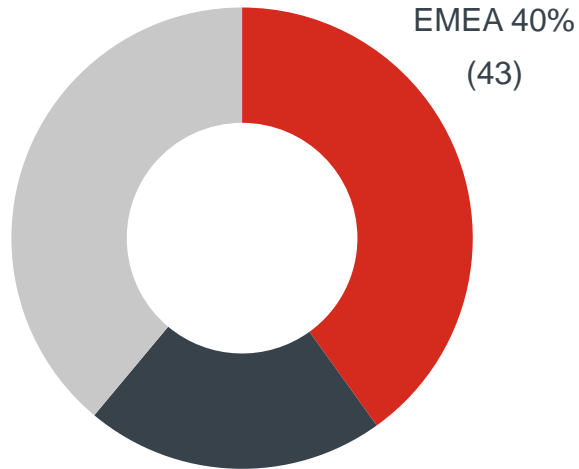
35

■ EMEA ■ APAC ■ Americas

# Sales by geographical segment by business area 1–6/2016

## Kalmar

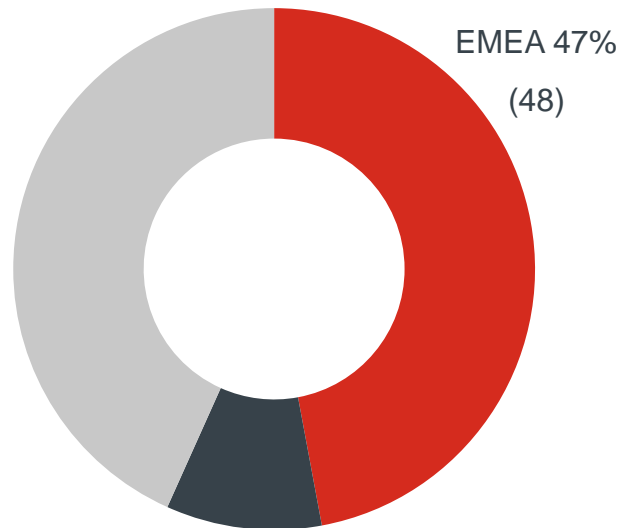
Americas 39% (36)



APAC 21% (21)

## Hiab

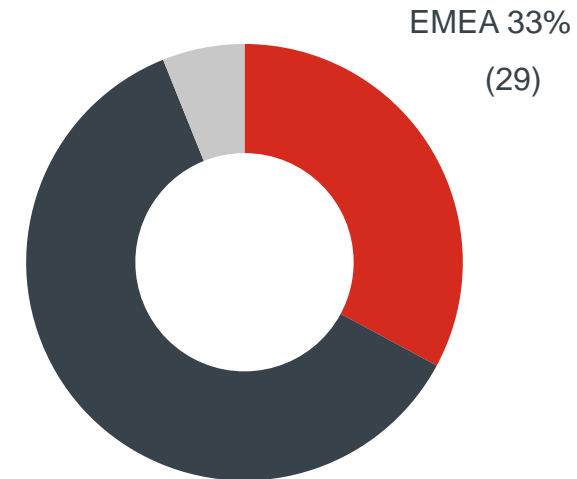
Americas 43% (42)



APAC 10% (10)

## MacGregor

Americas 6% (8)

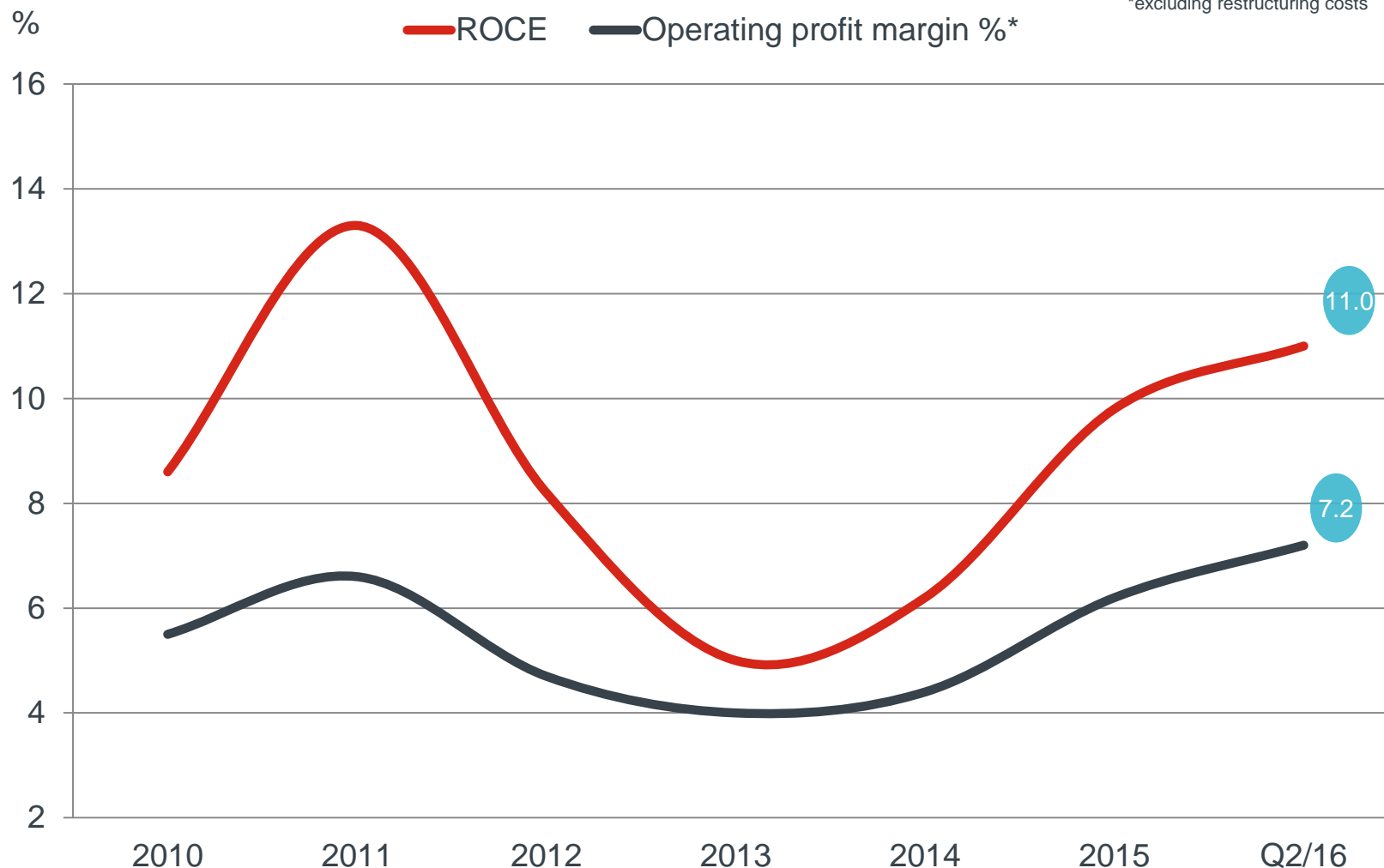


APAC 61% (63)



# Positive development in key financial metrics continued

ROCE, annualised  
\*excluding restructuring costs



# Cargotec to become a leader in intelligent cargo handling

Q2 events

- Strategy execution proceeding well
- Must-win battles supporting strategy execution
  - Build world-class services offering
  - Lead digitalisation
  - Build world-class leadership
- Control environment improvements ongoing
  - Management control self-assessments conducted by our businesses have identified several improvement opportunities in our control environment
  - Increased resources and focus on Ethics and Compliance



Kalmar delivers 14 terminal tractors to the United Arab Emirates

# Outlook 2016 unchanged

- Cargotec's 2016 sales are expected to be at the 2015 level (EUR 3,729 million) or slightly below.
- Operating profit excluding restructuring costs for 2016 is expected to improve from 2015 (EUR 230.7 million).

Q2 events



Hiab introduced two new LOGLIFT forestry cranes – focus on safety, performance, comfort, durability and low lifetime costs

